

# Re:Start 2025

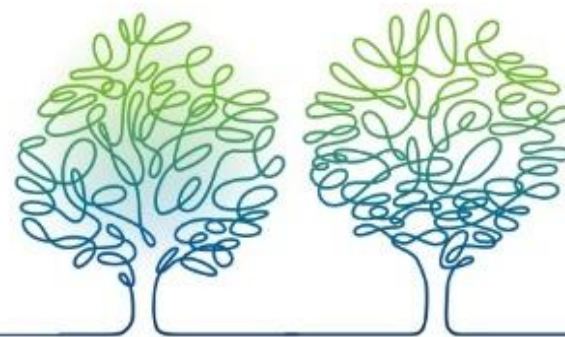
Suruga Bank Mid-Term Business Plan

**“Re:Start 2025 Phase 2”**

FY2023 - FY2025

# Phase 2

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## 1. Introduction

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- 1-1 Corporate Philosophy
- 1-2 Review of Phase 1
- 1-3 Environmental Recognition Underlying Plan Formulation

## 2. Phase 2 of the Mid-Term Business Plan

### Mid-Term Business Plan Overview

- Management Strategy I: Evolving the Retail and Solution Businesses
  - How We Differentiate
- Management Strategy II: Building a Sustainable Revenue Structure
- Management Strategy III: Risk-Taking and Risk Diversification

### Phase 2 KPIs and Promotion Framework

### Action Policy

## 3. Priority Measures

### Priority Measure 1: Reorganizing from a Sales Headquarters System to Four Autonomous Profit Centers

- (1) Community Bank
- (2) Direct Bank
- (3) Greater Tokyo/Wide-Area Bank
- (4) Market Finance

### Priority Measure 2: Completing Cost Structure Reform

- (1) Network Reorganization
- (2) Shifting Talent to the Front Office by Streamlining Headquarters Functions
- (3) IT Cost Structure Reform

### Priority Measure 3: Minimizing and Stabilizing Actual Credit Costs Through Higher Credit Quality

- (1) Status of Investment Real Estate Loans and Organizational Negotiation Partners
- (2) Improving Credit Quality for Other Investment Real Estate Loans

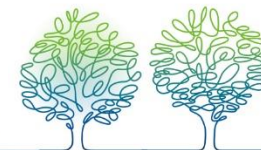
### Priority Measure 4: Pursuing Cloud Computing and DX in IT Platforms

### Priority Measure 5: Vector Alignment with Stakeholders

- (1) Vectors with Shareholders
- (2) Vectors with Employees
- (3) Vectors with Society

# 1-1. Corporate Philosophy: At the Heart of our Planning

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## The Suruga Bank Corporate Philosophy

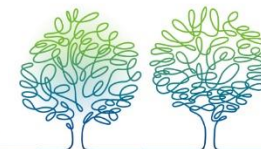
“I’m glad you’re here...  
I’m glad we met...”  
This perception is our goal.

No matter how much the times change or time passes, we are committed to providing service from the customer’s perspective, staying closely in tune with their everyday lives providing value, and helping our customers lead more prosperous lives.



# 1-2. Review of Phase 1

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**Objective: Reduce risk by reallocating assets to a middle-risk/middle-return revenue structure, laying the foundation for a sustainable business model**

Environmental Recognition  
As defined in Nov. 2019

## Phase 1 Strategies and Main Achievements

Priority Issues

### Promptly dissolved relationship with founding family

- ✓ Completed the dissolution of capital relationship/financing transactions with the founding family in February 2020, when all financing amounts were eliminated.

### Share house-related loans

- ✓ Addressed each customer's situation and implemented partial principal reductions/lump-sum debt transfer in a special scheme unprecedented in the financial industry, in order to achieve final resolution.

(Top line strategy)  
Sales Strategy

### Laying the foundation for a sustainable business model based on a unique retail infrastructure

- ✓ In the investment real estate loan business, pivoted toward **quality** with middle-risk/middle-return. Transactions with affluent & semi-affluent segments, positioned as new focus segments, reached 60% of new transactions.
- ✓ Stable asset accumulation in the new structured finance business area, with loan balances exceeding 100 billion yen, growing at a pace exceeding the plan's assumptions.
- ✓ In the housing loan business, developed a unique strategy to target customers in new segments created by a diversifying society. Expanded support for diverse needs, including second home financing, through a fleshed-out product lineup.
- ✓ In the solution business, we built a system combining digital marketing with proposing solutions to customers' issues related to asset formation, investment, succession, and life planning, looking ahead to a world where people live to 100 years old.
- ✓ Established a system promoting claim purchase through securities management and external cooperation.

(Cost strategy)  
Structural Reform

### Optimizing management resource allocation and establishing a business foundation to empower new management strategies

- ✓ Consolidated and transferred branches/ATMs. Reorganized into a hub/satellite branch structure to optimize the network and to establish close ties with local communities in accordance with the characteristics of each area. Consolidated back-office operations at headquarters and streamlined business operations by incorporating DX, etc. in parallel to shift talent to front-office tasks.

Phase 2

FY2023  
to  
FY2025

Establishing a new position

### Continued negative interest rates

- ✓ Cost reduction, staff review
- ✓ Focus on non-interest rate based business

### Compliance with regulations

- ✓ Basel III revision
- ✓ Reassess business boundaries based on market entry from other industries

### Addressing Fintech

- ✓ Systemization and labor-saving investments
- ✓ Creating platforms through cross-industry collaboration

### Social change

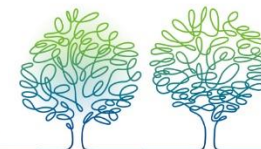
- ✓ Declining birthrate/aging population
- ✓ Population concentrating in cities

### Consumer changes

- ✓ Improving awareness of inheritance/asset-building
- ✓ Diversifying labor force, work styles and service needs

# Phase 1 KPI Targets and Results

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## Phase 1 KPI Targets and Expected Results in FY2022

(Billions of yen)

	FY2022 Phase 1 Plan	FY2022 Forecast
RA gross operating profit <sup>1</sup>	49.0	44.0
OHR <sup>2</sup>	Under 60%	85%
Net income	6.0	9.0
Capital adequacy ratio	Over 10%	13%
Profit attributable to owners of parent	7.0	10.0

### [Reference Indicators]

New loans <sup>3</sup>	190.0	230.0
Expenses	40.0	36.5

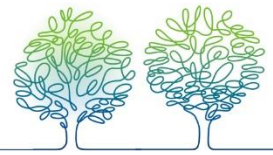
<sup>1</sup>RA (Risk Adjusted) Gross Operating Profit = Gross Operating Profit - Actual Credit Costs

<sup>2</sup>OHR (Over Head Ratio) = Expenses / Gross Operating Profit

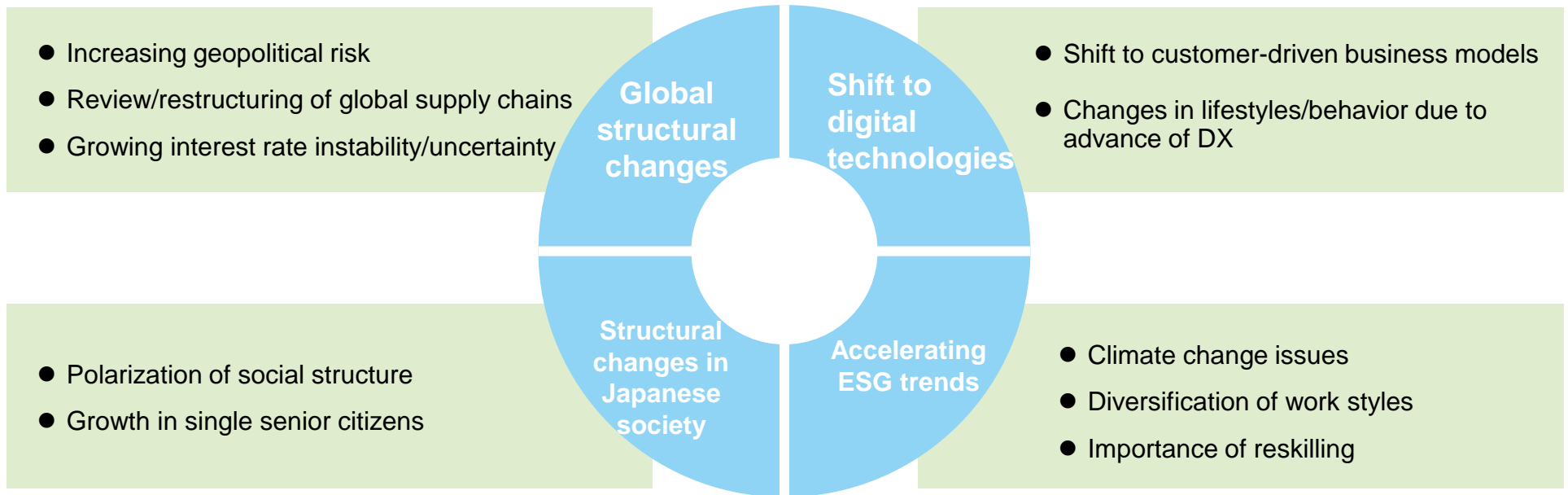
<sup>3</sup>New loans: Amount of new execution (acquisition) of business areas promoted by consumer loans, investment real estate loans for asset management companies, structured finance, monetary claims bought, etc.

- RA gross operating profit falls short of plan by 5.0 billion yen
  - Despite delays in initiating loans due to COVID-19 and other unanticipated factors when the plan was created, our operational foundation came together steadily, including the execution of 230 billion yen in loans (including monetary claims purchased) in the final year of the plan.
  - Improvement in actual credit costs exceeded the initial plan, and RA gross operating profit, when excluding losses on sales of securities, reached 61.0 billion yen, exceeding the initial plan. However, as a result of losses on sales of government bonds (17.0 billion yen) and other actions to restructure the securities portfolio in anticipation of Phase 2, total RA gross operating profit fell below the plan's target.
- OHR fell short of the +25% YoY target due to a significant decrease in gross operating profit, despite cost reductions (-3.5 billion yen YoY).
- Net income was up 3.0 billion yen YoY, despite lower gross operating profit, due to cost reductions and lower actual credit costs.
- The capital adequacy ratio exceeded the planned level, as the steady increase in profits during Phase 1 offset the negative impact of the share buyback in FY2021.
- New loans exceeded the plan due to a significant increase in structured finance loans and claim purchases, although investment real estate loans and housing loans fell short of the plan.

# 1-3. Environmental Recognition Underlying Plan Formulation



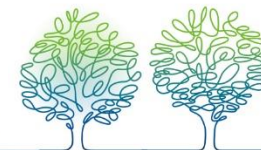
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## Implications on Phase 2 of the Mid-Term Business Plan



Assumptions for the financial and market environment in this plan: Although interest rates in Japan have recently become increasingly unstable and uncertain, the equilibrium level interest rate for the Phase 2 period is assumed to remain unchanged. In addition, other major financial and market environment indicators, such as in the Japanese stock market, are also assumed to remain flat.



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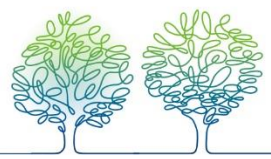
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# 2. “Re:Start 2025 Phase 2”: Mid-Term Business Plan Overview

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Corporate Philosophy

Vision

Phase 2 Management Strategies

“I’m glad you’re here...I’m glad we met...”  
This perception is our goal.



- In order to realize our **Corporate Philosophy**, we will create a "new Suruga Bank" where customers are truly satisfied and employees feel fulfilled by **providing unique value** through our core business of retail banking, and by **doing business with a rigorous customer orientation**
- We will establish measures for **thorough compliance and controlling appropriate risk/return**, and develop a **new sustainable business model** as a financial institution that benefits the public

Shared in Phases 1 & 2

### I. Evolving the Retail and Solution Businesses

We will create sources of differentiation founded in resolving AID (Anxiety, Inconvenience, Dissatisfaction) for our customers, leading them to say "I'm glad you're here...I'm glad we met..."

### II. Building a Sustainable Revenue Structure

We will counteract the decline in the top line due to the collection of existing loans and pivot to a sustainable revenue structure with three measures: growth of new business revenue through four autonomous profit centers, cost structure reform, and minimizing and stabilizing actual credit costs through higher credit quality

### III. Risk-Taking and Risk Diversification

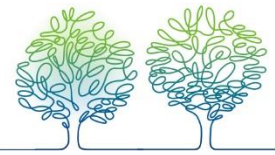
In accordance with the **Risk Appetite Framework (RAF)**, we will repeat a cycle of active risk-taking and verification in selected areas, diversifying away from our traditional risk structure concentrated in specific real estate areas<sup>1</sup>

<sup>1</sup>Single building income properties (relatively high share of older properties and properties located in regional areas) executed prior to the full-scale rollout of Phase 1

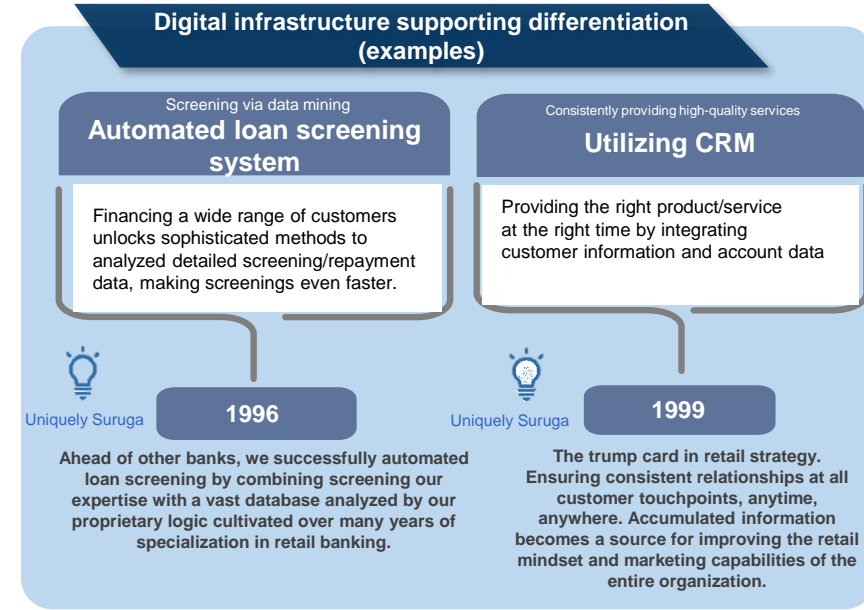
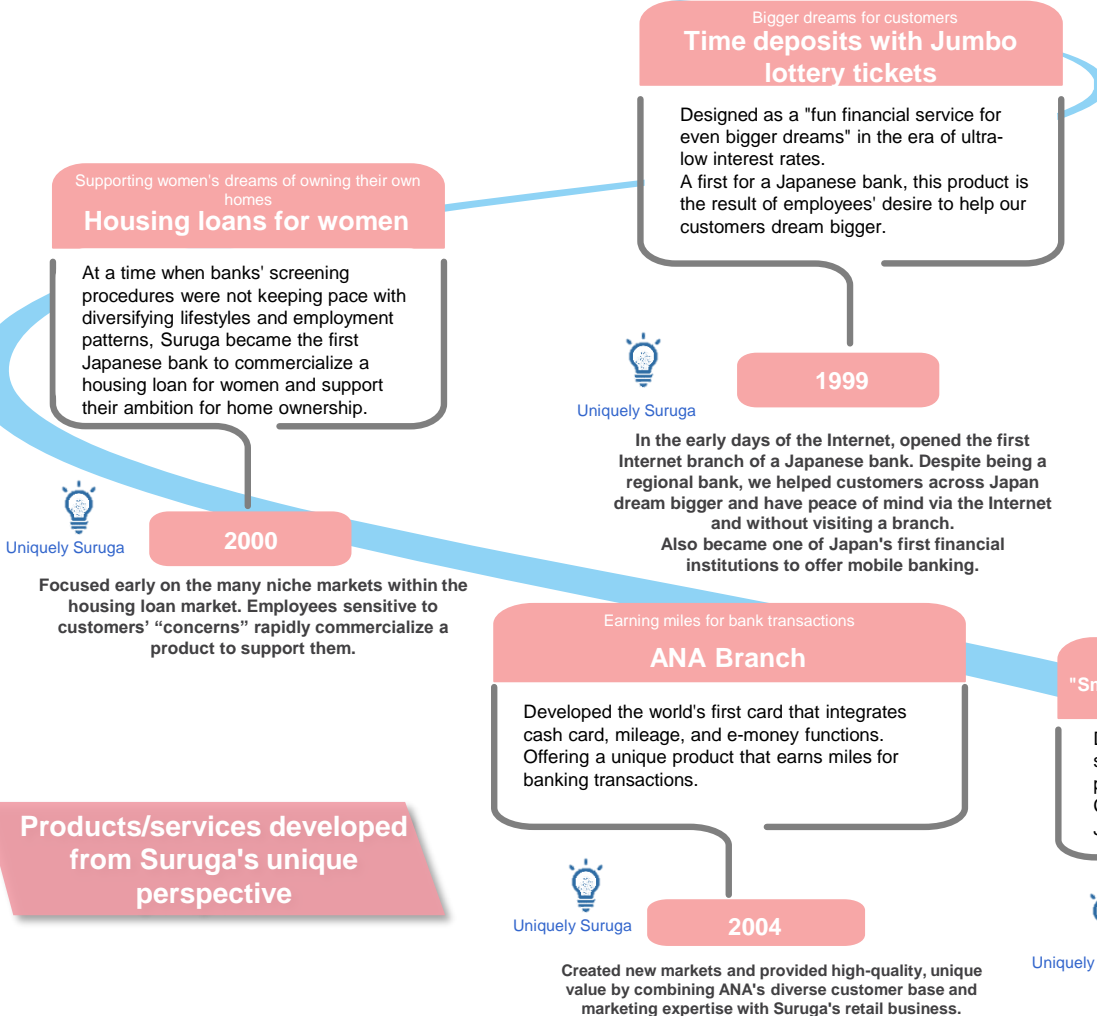


# Management Strategy I: Evolving the Retail and Solution Businesses – How We Differentiate

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From past to present, Suruga Bank has offered solutions from its unique perspective rooted in resolving customer “concerns”



Products/services developed from Suruga's unique perspective

# Management Strategy II: Building a Sustainable Revenue Structure

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## New Business Gross Profit (Core Gross Operating Profit, New Portfolio)

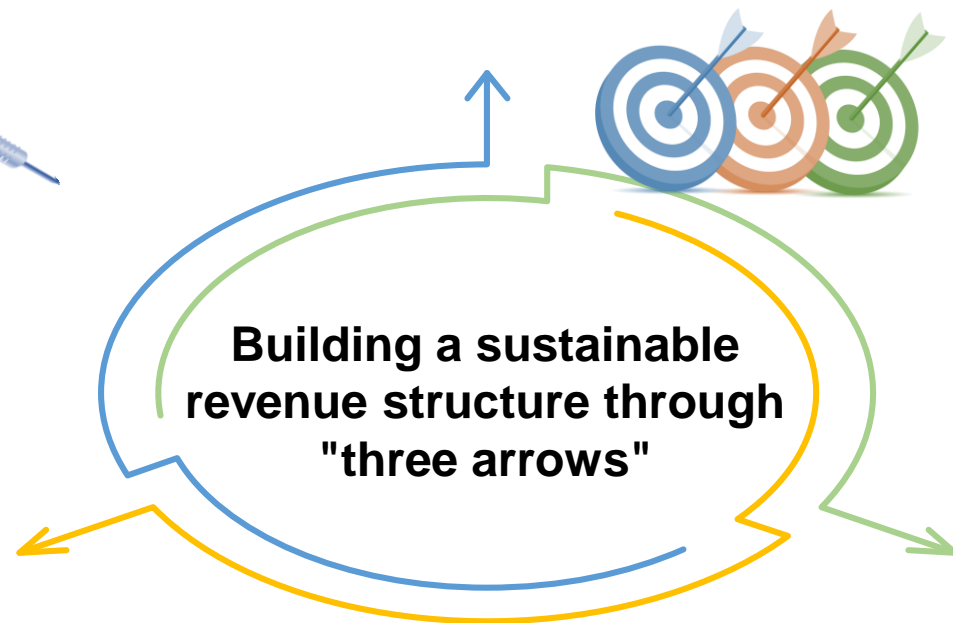
- New business gross profit is to grow 2.2x vs. FY2022 through Management Strategy I (Evolving the Retail and Solution Businesses)

Breakdown of new business gross profit	FY2025 Plan	FY2022 Forecast	Change
<b>Retail/Solution Businesses</b>	<b>6.5</b>	<b>2.2</b>	<b>+4.3</b>
Solution Business <sup>1</sup>	3.0	0.8	+2.2
Investment real estate loans	3.5	1.3	+2.2
<b>Market Finance</b>	<b>9.5</b>	<b>5.1</b>	<b>+4.4</b>
Structured finance	4.5	2.1	+2.4
Market operations, etc. <sup>2</sup>	5.0	3.0	+2.0
<b>New Portfolio Total</b>	<b>16.0</b>	<b>7.3</b>	<b>+8.7</b>

↑ 2.2x (Unit: Billions of yen)

<sup>1</sup>Solution Business includes asset consulting, housing loans, unsecured loans, etc.

<sup>2</sup>Market operations, etc. includes claim purchases



## Expenses

- As part of Management Strategy II (Building a Sustainable Revenue Structure), we plan to implement and complete cost structure reforms in continuation from Phase I

\* Expenses: 36.5 billion yen (FY2022 forecast) → 32.5 billion yen (FY2025)

**(-4.0 billion yen)**

## Actual Credit Costs

- Plan to stabilize actual credit costs at low levels by proactively taking measures to improve the quality of loans for non-share house single income property loans

\* Actual credit cost: Approx. 9 billion yen (average of FY2020-2022 forecast) → Average of less than 3 billion yen/year from FY2025 onward

**(Approx. -6.0 billion yen)**

Decrease in core gross operating profit from old portfolio

52.5 billion yen → 32.5 billion yen

(FY2022 forecast) (FY2025)

**(-20.0 billion yen)**

Definitions: New/Old Portfolio

- New: Revenue from goods and services contracted on or after April 2020
- Old: Revenue from goods and services contracted on or before March 2020

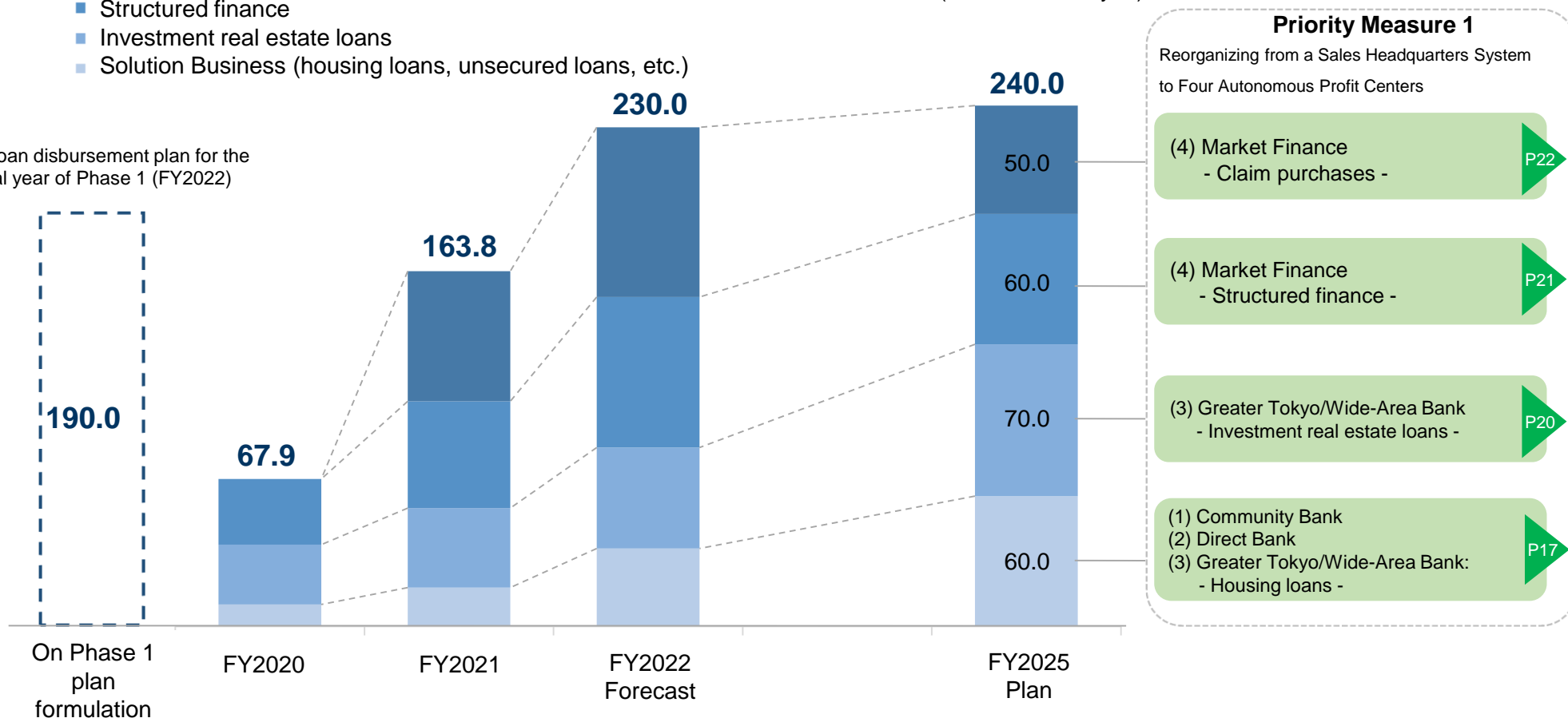
# New Disbursement: Trend and Plan

## New loan, etc. disbursement

- Claims purchased
- Structured finance
- Investment real estate loans
- Solution Business (housing loans, unsecured loans, etc.)

(Unit: Billions of yen)

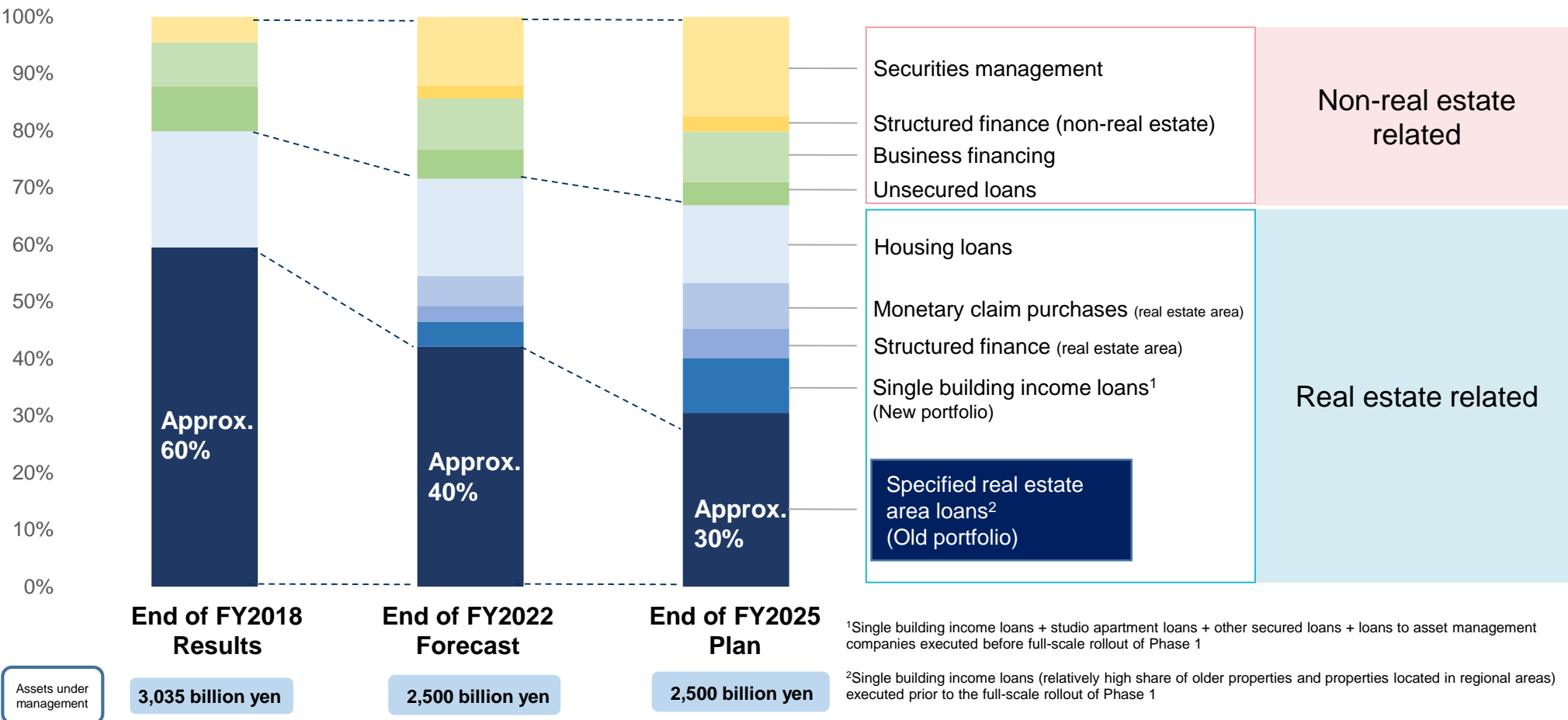
New loan disbursement plan for the final year of Phase 1 (FY2022)



**In the final year of Phase 1 (FY2022), achieved new disbursement at a level balancing contractual commitments and prepayments. In Phase 2, we plan to strengthen the operational foundation we have built and increase the share of new disbursement through origination.**

# Management Strategy III: Risk-Taking and Risk Diversification

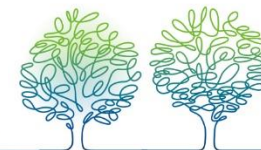
## Change in composition of assets under management from FY2018 to FY2025



In AUM, our plan is to decrease the ratio of legacy specified real estate area loans from approx. 60% (end of FY2018) to approx. 40% (end of FY2022) to approx. 30% (end of FY2025)

# Phase 2 KPIs

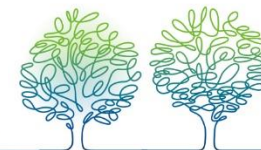
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		FY2022 Forecast	FY2025 Plan	Notes
Main KPIs	Ordinary income	10.5 billion yen	13.0 billion yen	
	Net income (Consolidated)	10.0 billion yen	11.0 billion yen	<ul style="list-style-type: none"> <li>Profit attributable to owners of parent</li> </ul>
	Capital adequacy ratio (Based on finalized Basel III)	11.3%	10%+ (effective)	<ul style="list-style-type: none"> <li>Figures for FY2022 are current estimates (FY2022 forecast pre-Basel III finalization is 13.0%)</li> <li>Any unrealized loss on securities is deducted from core capital</li> </ul>
Secondary KPIs <small>Key action indicators for achieving main KPIs</small>	New business gross profit	7.3 billion yen	16.0+ billion yen	<ul style="list-style-type: none"> <li>Revenue from goods and services issued on or after April 2020</li> <li>Based on core business gross profit (excluding gains on cancellation of investment trusts)</li> </ul>
	Expenses	36.5 billion yen	Less than 32.5 billion yen	
	Actual credit cost ratio	-5 bps	Approx. 15 bps	<ul style="list-style-type: none"> <li>Intended cruising speed for FY2025 and beyond</li> <li>Actual credit costs / Loans and bills discounted (average balance) × 10000 (Loans and bills discounted = Loans + Purchased monetary claims)</li> </ul>

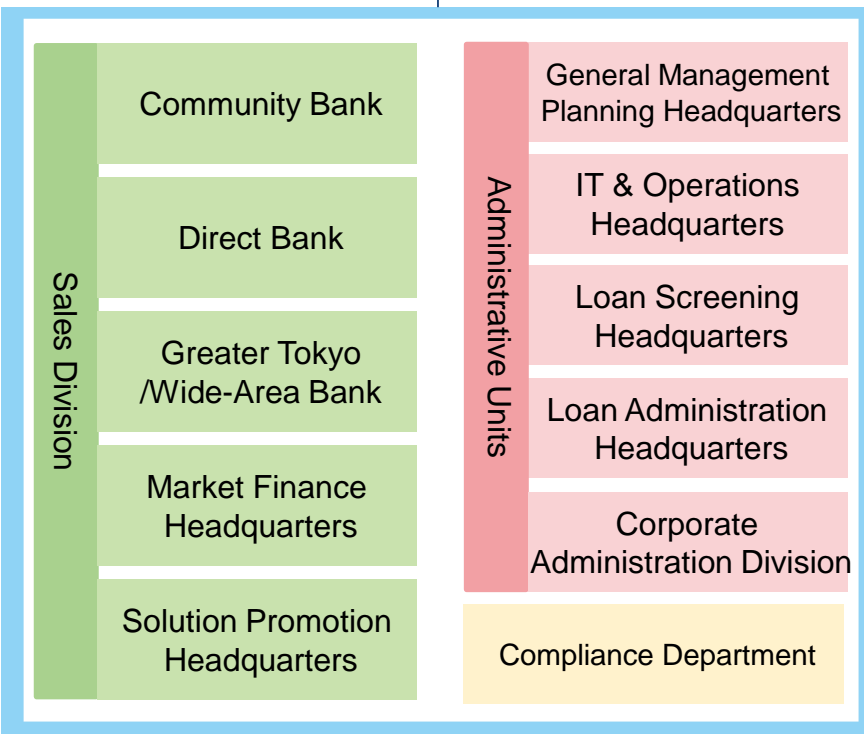
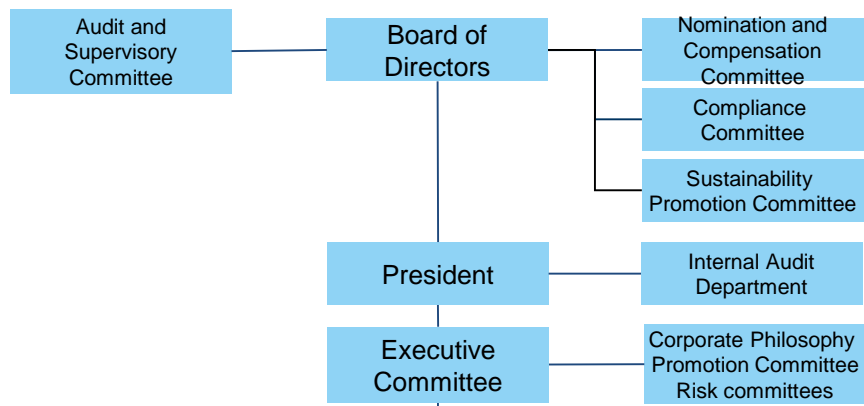
\*Figures/indicators without "consolidated" are for Suruga Bank (non-consolidated)

# Phase 2 Promotion Framework



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## Organizational structure beginning April 2023



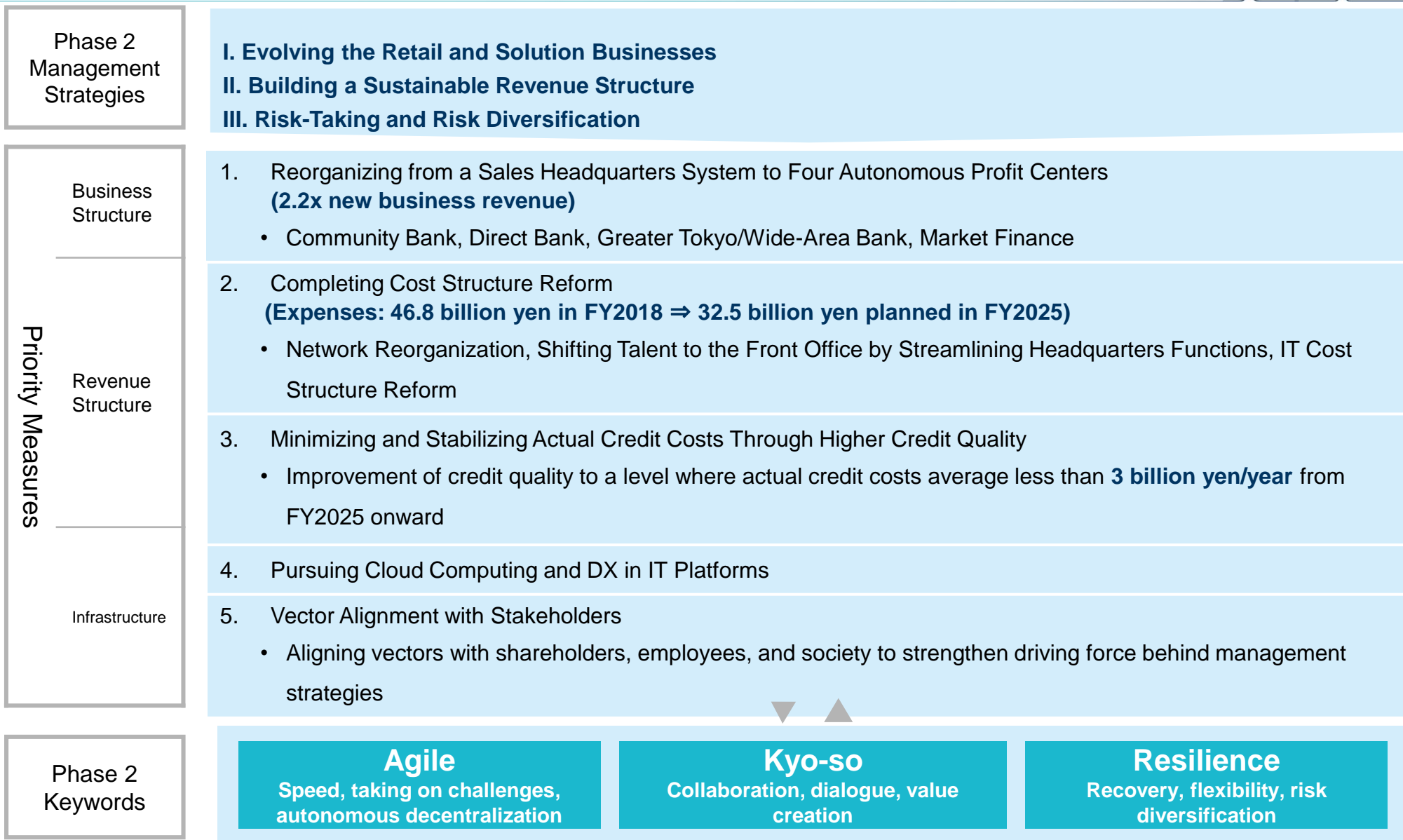
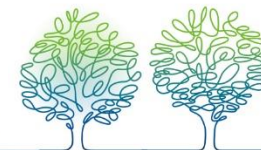
In order to **differentiate** as established in the Phase 2 management strategies, all executives and employees and their respective organizations will take action based on the keyword "**Agile**" (emphasizing **speed, taking on challenges, and autonomous decentralization**).

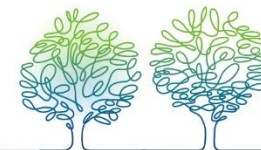
The following changes were made to the organizational structure to encourage this "**Agile**".

- Abolishing the system of control by executive directors and delegating authority and responsibility to general managers at each headquarters.
- Reorganizing from a sales headquarters system to four autonomous profit centers. Transitioning to a system enabling each bank/headquarters to quickly implement strategies tailored to their respective customer segments and competitive environment.
- In order to provide a new customer experience and rapidly innovate the branch model from a DX perspective, the Business Administration Division and the Systems Department were merged to form the IT & Operations Headquarters.

# Action Policy in “Re:Start 2025 Phase 2”

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# Priority Measure 1: Reorganizing from a Sales Headquarters System to Four Autonomous Profit Centers

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Aiming to be a lifelong partner building high-quality, long-term relationships and keeping close connections with customers

## 01 Community Bank<sup>1</sup>

Shizuoka, Kanagawa

## 02 Direct Bank

Nationwide business utilizing digital technologies

Under our banner as “FI Innovator”, expanding the customer base by providing digital-enabled retail solutions to social and individual challenges

### Mission in the four business areas for growth of the new portfolio

Providing "personalized financial solutions" focused on real estate to support the achievement of prosperous lifestyles

## 03 Greater Tokyo/Wide-Area Bank<sup>2</sup>

Greater Tokyo area and major Japanese cities

## 04 Market Finance

Expanding investment and loan areas with a focus on middle-risk/middle-return while improving management capabilities and expertise, which are the cornerstones of the financial services industry

<sup>1</sup>Community Bank: Sales organization including sales offices in the Shizuoka area (58 branches) and Kanagawa area (35 branches)

<sup>2</sup>Greater Tokyo/Wide-Area Bank: Sales organizations including sales offices and promotion departments in the five major metropolitan areas (Greater Tokyo area [5 branches + 3 departments] and other metropolitan areas [4 branches])

(Number of branches is as of March 31, 2023)

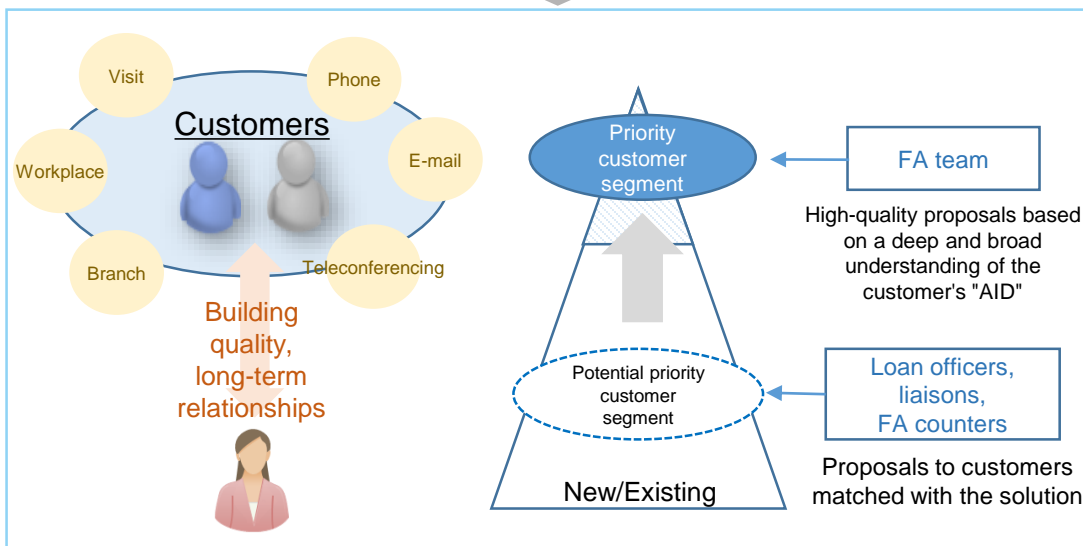
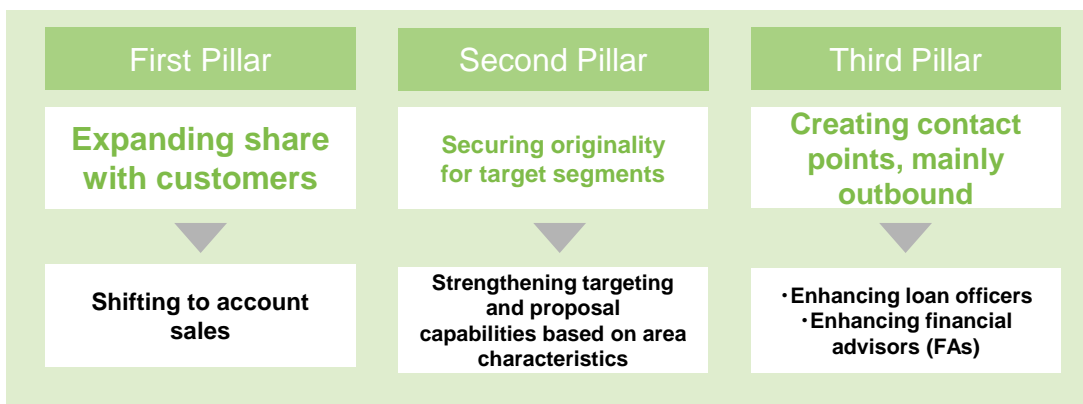
# Priority Measure 1: (1) Community Bank

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## Direction of Individual Solutions

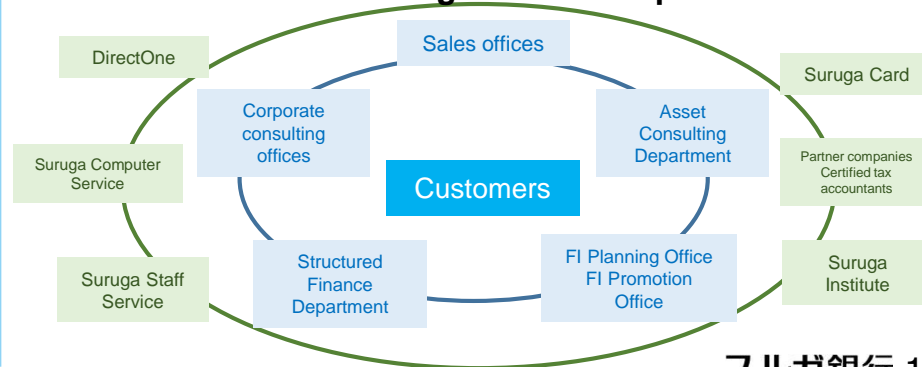


## Direction of Corporate Solutions

### Providing solutions beyond overall management

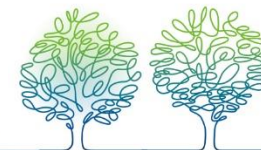
- |                                |   |
|--------------------------------|---|
| <b>Financial</b>               | <ul style="list-style-type: none"> <li>Business financing with appropriate assessment</li> <li>Utilizing public institutional loans such as SDGs guarantees</li> <li>Improving cash flow through factoring and leasing, etc.</li> </ul> |
| <b>Management support</b>      | <ul style="list-style-type: none"> <li>Internet banking and other fund management services</li> <li>Cashless payment support</li> <li>Streamlining settlement operations with business cards, etc.</li> </ul>                           |
| <b>Continuation management</b> | <ul style="list-style-type: none"> <li>Business succession, M&amp;A</li> <li>Matching for human resources support and development</li> <li>Support for non-Japanese customers, etc.</li> </ul>  |

### An integrated cooperative structure across the Suruga Bank Group



# Priority Measure 1: (2) Direct Bank

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For non-Japanese customers, developing/launching dedicated products such as accounts exclusively for non-Japanese customers and car loans

Direct Bank aims to increase the number of contracts by expanding its product lineup and upgrading B2B2C/D2C marketing methods to meet nationwide unsecured loan needs, centered on digital (non-face-to-face) services

## Suruga's strength to promote FI as a business

### Retail finance infrastructure



#### Our CRM, specialized for retail

Real-time integration of demographic data such as age, gender, etc., as well as account data such as actual transfers and deposits/withdrawals

#### Diverse customer communication methods



Call centers with per-role specialization, e.g., secured, unsecured, and general contact, respond to customers individually by phone, e-mail, interactive SMS, chatbot, etc.

### Customer management and screening functions



#### Customer management in new areas, e.g. non-Japanese

- Managing new information, e.g., residence status, is handled by customizing the customer management system
- Addressing risks in AML/CFT and implementing appropriate controls

#### Unique credit model



- Our proprietary automated screening system accumulates data from application to disbursement
- Integrates undeveloped management data to evolve individual credit-specific scoring models every day

### Digital + Marketing

#### Utilizing digital solutions



Implement effective proposals through timely messaging via MA tools, our Connect app, etc.

#### Marketing



Implementing effective and optimal B2B2C/D2C marketing (incl. digital) as appropriate so that our non-face-to-face solutions can be applied nationwide

Unsecured loan contracts and Internet accounts:  
Trend and planned target

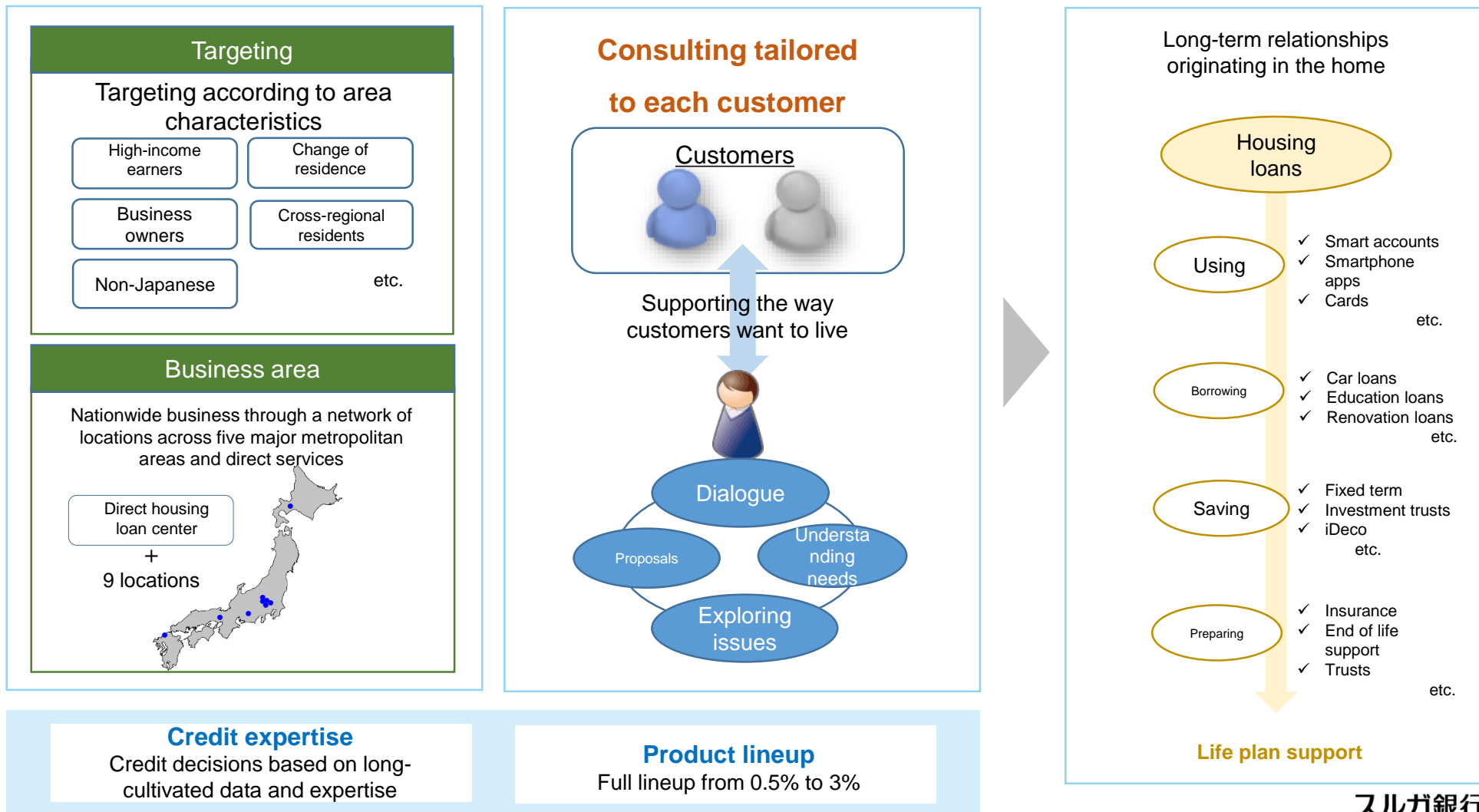


- **Sep. 2021: Reorganization, establishment of FI Promotion Office**
- **Oct. 2021: Launched smart accounts**
- **May.2022: Launched accounts exclusively for non-Japanese customers without permanent residency**

# Priority Measure 1: (3) Greater Tokyo/Wide-Area Bank: Housing Loans

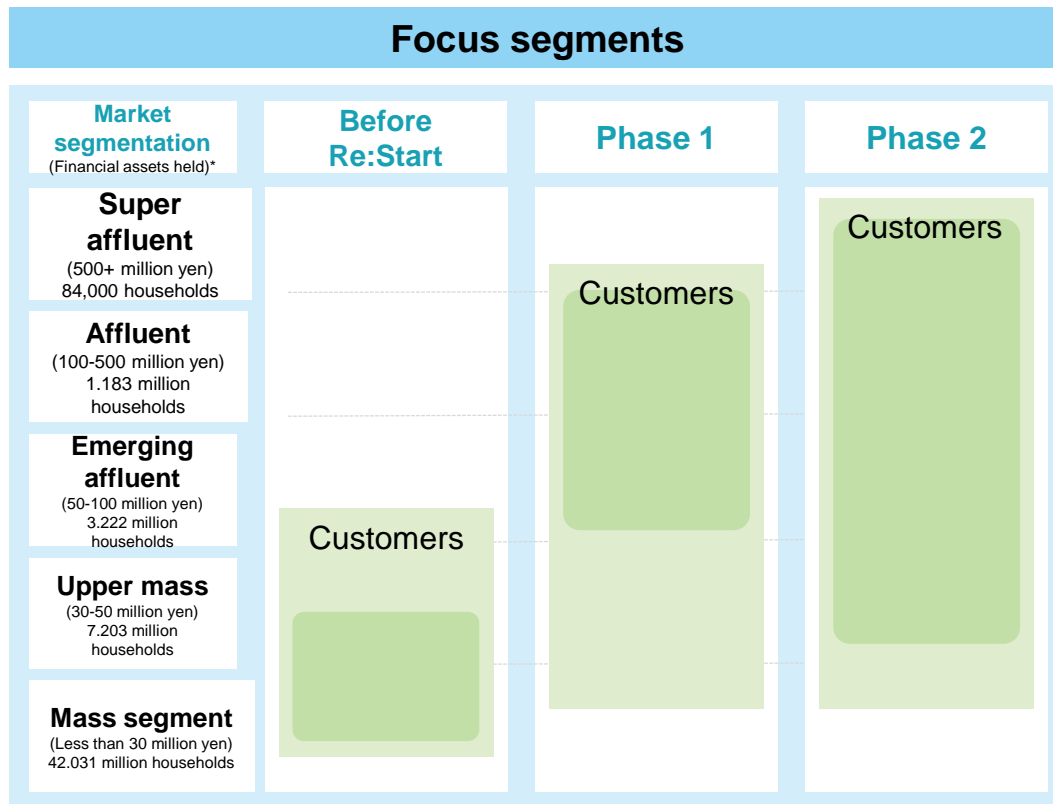
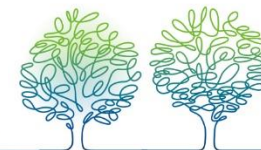
## Providing home-centric personalized financial solutions

Providing optimal financial solutions needed to meet the needs of each individual customer and help them achieve prosperous lifestyles



# Priority Measure 1: (3) Greater Tokyo/Wide-Area Bank: Investment Real Estate Loans

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### Growth direction

#### Organic areas

- Polished, professional sales structure with a dedicated team
- Flexible product development capabilities tailored to diverse needs and property locations
- Tailor-made support cultivated in the housing loan business



#### Inorganic areas

- Alliances through deepening transactions with partner companies
- Expanding transaction volume through stronger relationships with partner companies
- Expanding scope by developing new partner companies

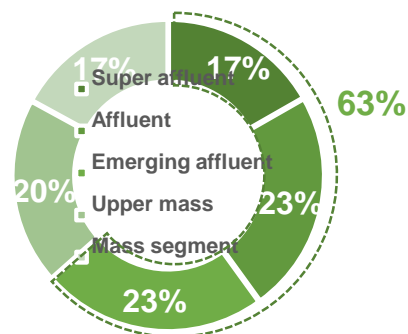


#### Providing unique value through customer-oriented business operations

- Providing optimal services based on a customer-oriented approach
- Proprietary screening system combining factors such as customer's asset background, property value, etc.
- Upgrading talent capabilities to improve solution skills

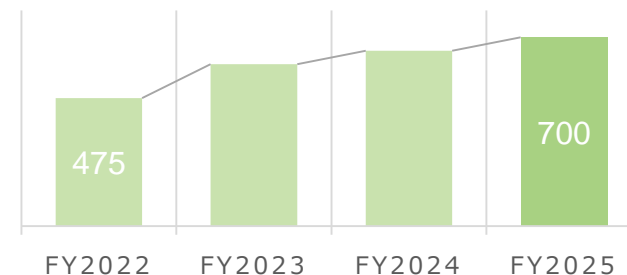
### Share of newly-disbursed loans

- FY2020-FY2022
- By financial assets held\*
- Percentages of total loan value



Phase 1

### New loan disbursement plan



\*Source: NRI estimates

# Priority Measure 1: (4) Market Finance: Structured Finance



(as of April 1, 2023)

- ◆ Structured Finance started from scratch in Phase I. By the end of Phase I, its balance exceeded 100 billion yen. This is planned to reach 200 billion yen at the end of Phase 2. (Fig. 1)
- ◆ Real estate to non-real estate loans outstanding is approx. 60% to 40%. Real estate in scope is also diversifying. (Fig. 2)
- ◆ Controlling risk through attention to leverage level (Currently, more than 80% has LTV of 75% or less) (Fig. 3)

<b>Structured Finance Department</b>	
<b>Total: 29 members</b> (incl. dept. head)	
<b>Sales Group</b>	<b>Middle/Back Group</b>
<b>15 members</b>	<b>13 members</b>
<u>Number of employees holding qualifications</u> (with duplicates) ARES Certified Master: 11* Real Estate Transaction Agent: 10 (including those passing the exam only) Certified Property Manager: 1 MBA: 1 / Securities Analyst: 1 CFP: 2 / AFP: 17 Chief of Money Lending Operations: 4 * Including those who passed the first examination in FY2022	

Fig. 1: Structured Finance Balance Trend

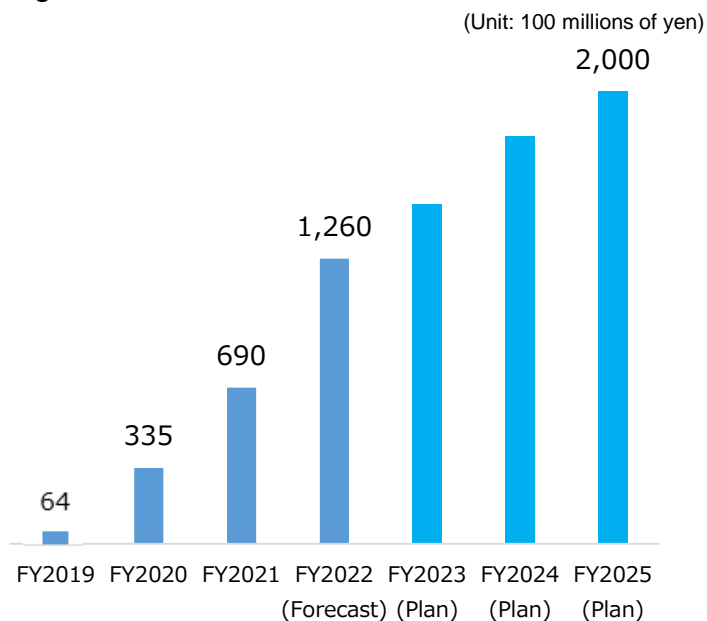


Fig. 2: Breakdown of Balance by Asset (as of Jan. 31, 2023)

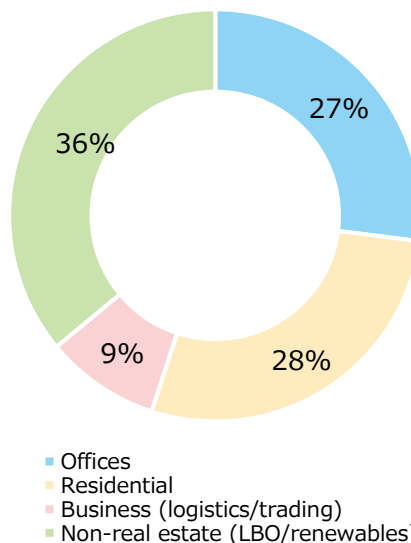
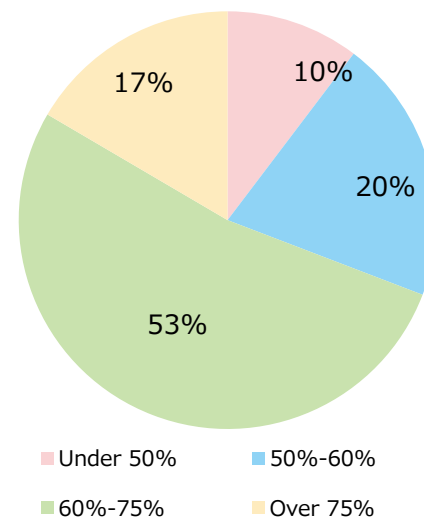
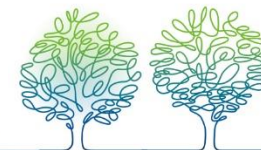


Fig. 3: Breakdown of Balance by LTV (as of Jan. 31, 2023)



# Priority Measure 1: (4) Market Finance: Market Operations/Claim Purchases

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**Basic Policy:** In market operations, etc., strengthen risk control while promoting a shift to a more stable revenue structure

## Securities management

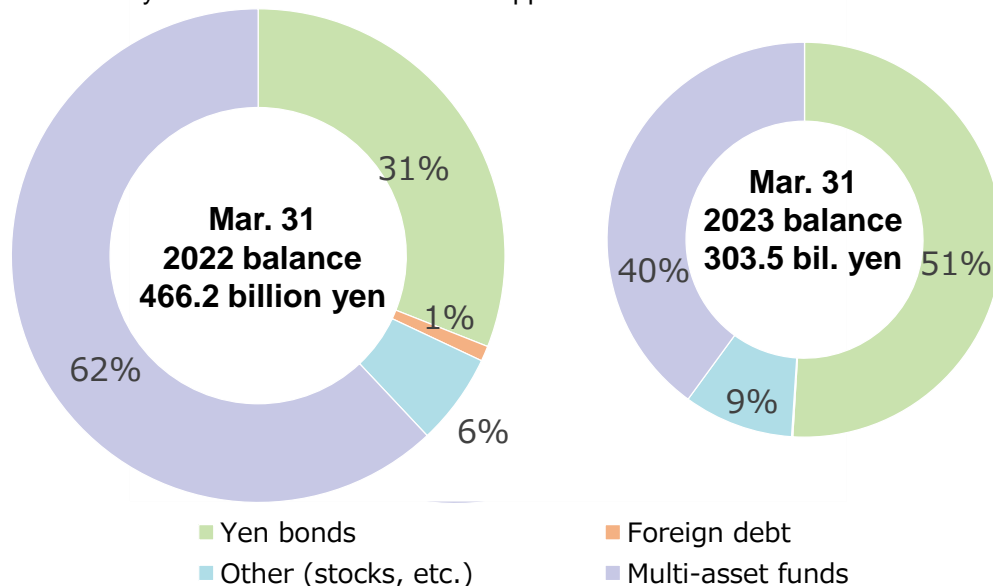
Plan to restructure the securities portfolio in light of changes in the market environment

- Implemented: Reduce investment balance mainly in multi-asset funds with valuation losses
- To implement: Plan to gradually shift to a stable revenue structure in securities investment

\*Loss on valuation of securities as of Mar. 31, 2023: -1.2 billion yen

\*Expected balance on Mar. 31, 2026: Approx. 450 billion yen (including approx. 60% yen bonds)

Assumed yield on dividends in FY2025: Approx. 0.7%



## Claim purchases

Plan to invest in areas where our credit judgment skills can be utilized, with a focus on middle-risk/middle-return, while taking into account the needs of other companies

- Assets underlying claims purchased to date are investment condominium loans accumulated by our skills

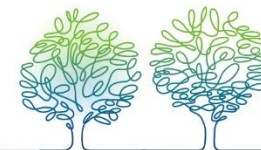
### March 31, 2023 investment

Number of claims	Balance	Average interest rate	Average residual maturity
6,200	130 bil. yen	2.08%	31 years

### Property locations (at time of purchase, by number of claims)

Area	Share
Kanto area (Tokyo, Kanagawa, Saitama)	78%
Kansai area (Osaka, Hyogo, Kyoto)	17%
Other	5%

Share of Tokyo 23 wards/ordinance designated cities: 98.5%



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- (4) Market Finance

### Priority Measure 2: Completing Cost Structure Reform

- (1) Network Reorganization
- (2) Shifting Talent to the Front Office by Streamlining Headquarters Functions
- (3) IT Cost Structure Reform

### Priority Measure 3: Minimizing and Stabilizing Actual Credit Costs Through Higher Credit Quality

- (1) Status of Investment Real Estate Loans and Organizational Negotiation Partners
- (2) Improving Credit Quality for Other Investment Real Estate Loans

### Priority Measure 4: Pursuing Cloud Computing and DX in IT Platforms

### Priority Measure 5: Vector Alignment with Stakeholders

- (1) Vectors with Shareholders
- (2) Vectors with Employees
- (3) Vectors with Society



# Priority Measure 2: Completing Cost Structure Reform

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Completed cost structure reforms, cutting by 30% vs. FY2018 to build a sustainable revenue structure

## Three pillars of cost structure reform

### (1) Network Reorganization

Reorganizing our network to be sustainable over the medium to long term by reducing office area for the Tokyo head office and matching area characteristics.

[**-25% number of branches vs. Sep. 30, 2022**]

Priority Measure 2: (1) Network Reorganization

### (2) Personnel Expenses/Outsourcing Expenses

Shifting talent to the front office by streamlining headquarters functions and streamlining/adopting digital technologies in operations

[**+3.5% front office human resource ratio vs. Sep. 30, 2022**]

Priority Measure 2: (2) Shifting Talent to the Front Office by Streamlining Headquarters Functions

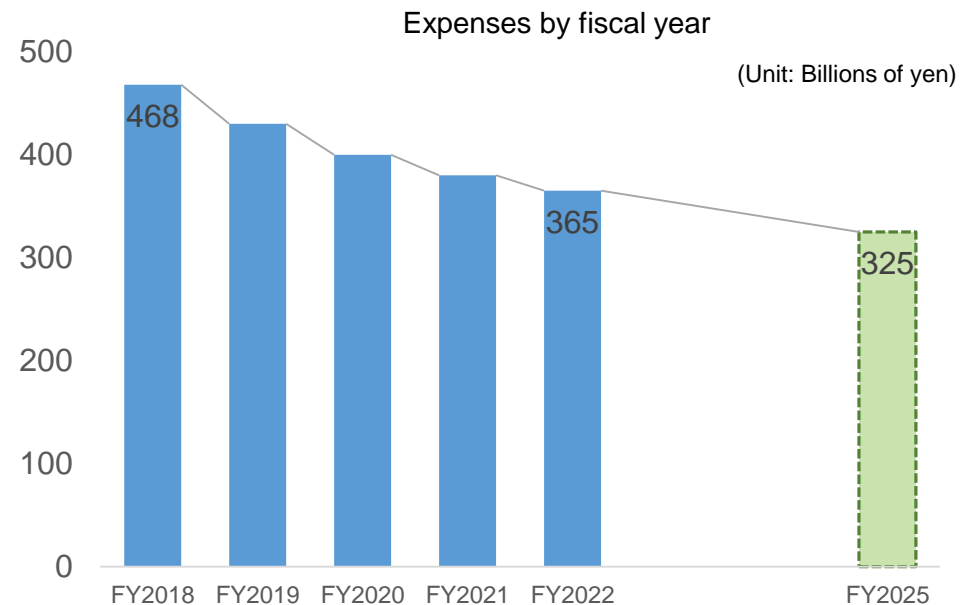
### (3) IT Costs, DX Promotion

Formulating IT roadmap to achieve both significant IT cost reductions and strategic IT investments

[**20% (FY2019) → 50% (FY2025) strategic IT investment ratio**]

Priority Measure 2: (3) IT Cost Structure Reform

Expenses Trend	FY2018 Results	FY2022 Forecast	FY2025 Plan	Phase 2 Reduction
	46.8 billion yen	36.5 billion yen	32.5 billion yen	-4.0 billion yen



# Priority Measure 2: (1) Network Reorganization

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Face-to-face

Innovating branch operations and streamlining operations

## Aiming to optimize branch functions/network by evolving the hub/satellite structure to support deeper relationships with customers

### Phase 1

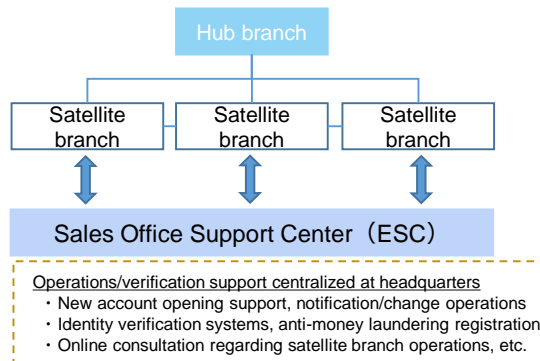
Centralization of back-office operations at headquarters  
Establishment of hub/satellite system

Strategy

Generating personnel and time to expand contact with customers by centralizing back-office operations at sales offices to headquarters

Major initiatives

### Hub/satellite structure to be the key to reorganizing



### Phase 2

Accelerating optimization of headquarters, branch functions, and network

Accelerating the downsizing of the Tokyo head office as well as the network reorganization and operation task reduction by reviewing the functions of satellite branches in order to optimize management resources

### Review of branch functions in accordance with area characteristics

Branch reductions: Approx. 20

- Branches specialized in services for individuals
- Remote customer service system introduced to provide highly professional consultation by headquarters staff
- Administrative processing and operational support by the Sales Office Support Center
- Cashless branches → May 2023 trial
- Introduction of ATMs supporting tax payments

Strategically reallocating of management resources to ensure agile response to new retail/solution needs achieving

Non-face-to-face

Strengthening digital channels

## Going beyond the convenience of DX to provide a new customer experience Non-face-to-face

Expanding and diversifying customer touchpoints and communication methods

Our Connect smartphone app

Collaborating with other industries using digital technologies

Adopting digital at branches

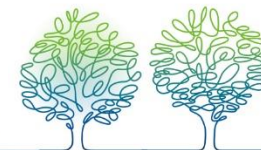
Evolving digital marketing analysis

Expanding web-based applications / transactions

Providing personalized proposals/products

# Priority Measure 2: (2) Shifting Talent to the Front Office by Streamlining Headquarters Functions

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## Streamlining headquarters

### Streamlining headquarters operations

Appropriately allocating talent through further streamlining of headquarters operations

### Reorganizing headquarters

Integration/reorganization of departments due to review of headquarters operations, etc.

## Streamlining sales office operations

### Streamlining branch operations

Headquarters centralization/verification support for back-office operations using the Sales Office Support Center

### Strengthening support for sales offices

Establishing a sales office support framework utilizing DX/remote functions

**Reallocating to front office areas (e.g., sales) through action in four categories**

\*+3.5% front office human resource ratio vs. Sep. 30, 2022

## Reorganizing the network

### Optimizing the branch network

Consolidating human resources through network reorganization based on demographics and branch proximity

### Reviewing branch functions

Introducing cashless branches and individual services-only branches tailored to area characteristics

## Shifting to digital technologies

### Evolving smartphone app

Enhancing functionality of the Connect smartphone app

### Promoting self-service transactions

Encouraging self-service transactions using the "SMA-Navi" counter tablet

**Shifting talent to the front office to provide value to more customers**

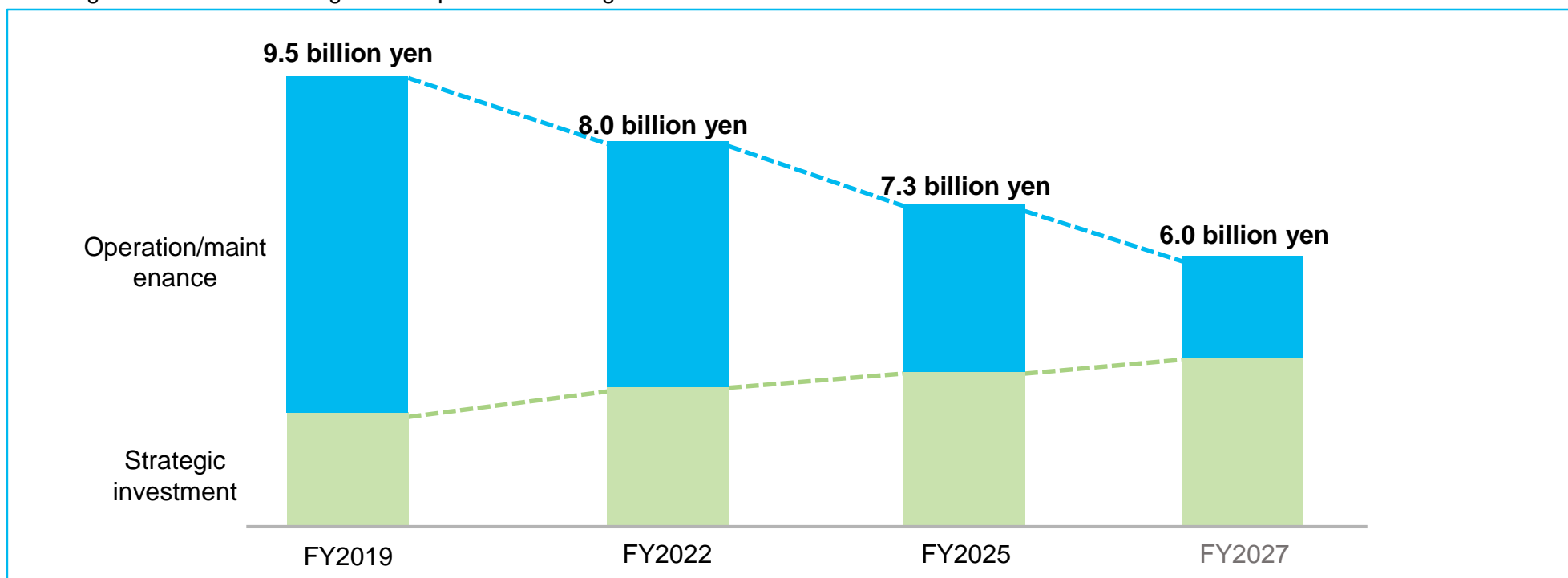
# Priority Measure 2: (3) IT Cost Structure Reform



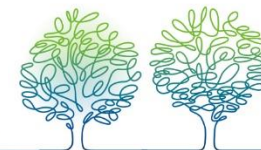
## Shrinking IT costs and shifting to strategic IT investments

Through development of our IT roadmap, we are fundamentally reviewing our IT cost structure and drastically reducing/optimizing these costs, shifting to strategic IT investments

- Plan to shrink to 6 billion yen in costs per year in FY2027, based on a shift to cloud computing for accounts targeted for the same year
- Expanding the proportion of strategic IT investments (20% in FY2019 ⇒ 50% in FY2025/60% in FY2027) to appropriately adapt to environmental changes and establish/strengthen competitive advantage



- Reducing operation/maintenance costs and shrinking investment in system upgrades by promoting use of cloud services and reviewing system configuration/functions
- In key strategic areas, e.g. digital channels, reducing development costs and providing services rapidly by in-housing systems
- Cultivating IT talent, e.g. app developers and cloud engineers



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### Priority Measure 3: Minimizing and Stabilizing Actual Credit Costs Through Higher Credit Quality

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- (1) Status of Investment Real Estate Loans and Organizational Negotiation Partners
- (2) Improving Credit Quality for Other Investment Real Estate Loans

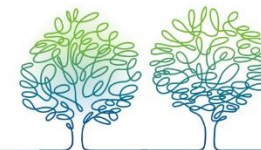
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- (1) Vectors with Shareholders
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# Priority Measure 3: Minimizing and Stabilizing Actual Credit Costs Through Higher Credit Quality

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Striving to improve the quality of loan assets in order to keep actual credit costs below 3 billion yen/year on average\* from FY2025 onward

\* Actual credit cost ratio: Approx. 15 bps  
(Actual credit cost ratio = Actual credit costs / Average balance of loans)

Unit: Billions of yen	Disclosed claim value <sup>1</sup>		Coverage ratio (Dec. 31, 2022)		
	Mar. 31, 2020	Dec. 31, 2022 (A)	Appraised collateral value <sup>2</sup> (B)	Allowances/guarantees (C)	Coverage ratio (B+C)/A
Share house-related borrowers	175.5	— <small>(With the completion of the lump-sum transfer of claims, the remaining claims<sup>3</sup> will be transferred to the same management system as others)</small>	—	—	—
Organizational negotiation partners	—	90.4	34.9	54.4	98.80%
Non-organizational negotiation partners <sup>4</sup>	132.5	105.2	40.1	27.5	64.31%

## Efforts to improve credit quality

- Share house claim lump-sum transfer conducted over four instances from Mar. 2020 to Sep. 2022, completing repayment in kind scheme (Total: 1,051 borrowers/1,339 properties)

- Coverage ratio exceeded 90% through preventive allowance provisioning, etc.
- Negotiations are ongoing toward early resolution

➢ (See page 30)

- Proactively improving credit quality through periodic occupancy rate surveys, improvement proposals, use of assessment sheets, etc.

➢ (See page 31)

<sup>1</sup>Disclosed claims under the Financial Reconstruction Act

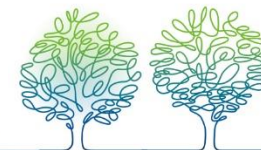
<sup>2</sup>Normally, 90% of the total valuation method amount is used for collateral valuation of loans and other credit-related claims, but figures here use 100% of the total valuation method amount. Note that in the past, the ratio of the amount of claims transferred to the collateral valuation for income-producing properties for investment real estate loan financing has exceeded 200%.

<sup>3</sup>Amount of disclosed claims for share house-related loans after completion of lump-sum transfer of claims: 24.0 billion yen (share house-related loans total: 32.8 billion yen)

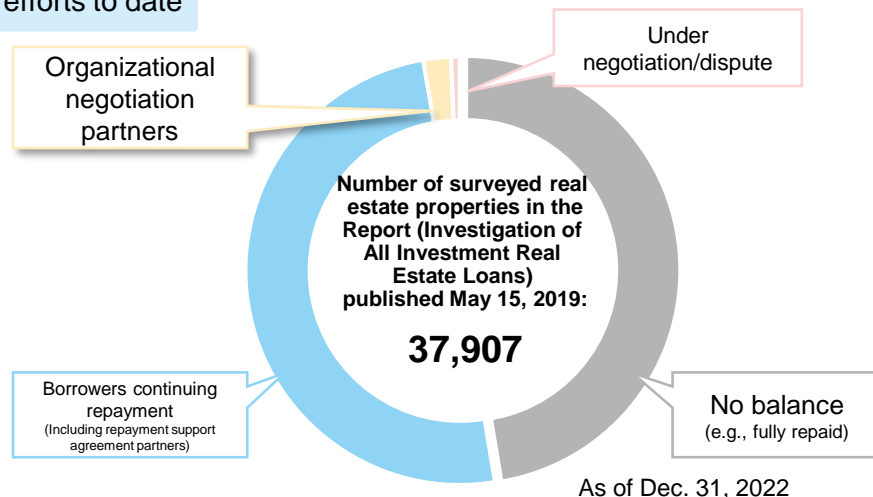
<sup>4</sup>"Non-organizational negotiation partners" shows the total for single building income loans

# Priority Measure 3: (1) Status of Investment Real Estate Loans and Organizational Negotiation Partners

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## Status of efforts to date



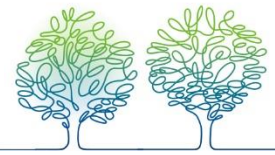
After approximately four years of repayment support and consultation efforts, more than 40% of the 37,907 properties surveyed have a loan balance of zero, and more than 50% are maintaining loan repayment. However, approximately 3% of the loans other than those are under negotiation or pending (i.e., those for which organizational negotiations are underway or repayment support agreements have not been reached), and we will continue to take appropriate measures to resolve these issues.

## Basic approach to future action

- 1 From the viewpoint of striking **early settlements**, we are **actively cooperating in clarifying loan circumstances** in **certain types of cases** where the bank is likely to be found liable in tort in a lawsuit.
- 2 In addition, there have been several cases in which the sale of investment real estate has led to full repayment, and we are also moving forward with **proposals to consider voluntary sales of real estate**.
- 3 With regard to investment real estate loan cases, each case **has its own very individual qualities**, and we believe it is necessary to **consider the unique circumstances of each case individually** when determining whether and to what degree there is an obligation to compensate for damages.

# Priority Measure 3: (2) Improving Credit Quality for Other Investment Real Estate Loans

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## Efforts to improve credit quality

- Regularly communicating with customers, starting with occupancy rate surveys, and working with management companies, real estate companies, specialists, and other business partners to improve the profitability of customer-owned investment properties and prevent deterioration of collateral properties, etc.

### Main actions to improve quality

#### Support tailored to actual circumstances

- Proposal of effective improvement measures
- Developing flexible repayment plans

#### Risk-based safeguarding

- Gathering risk information
- Evolving reserve estimation methods

#### Collaborating with partner companies

- Building more partner companies in the areas of repair, property management, sale, taxation, and legal affairs

#### Regular communication

Assisting customers when they wish to review the management company for owned real estate

Management company

Real estate company

Referring real estate companies when customers wish to sell their owned real estate

Regular occupancy rate surveys

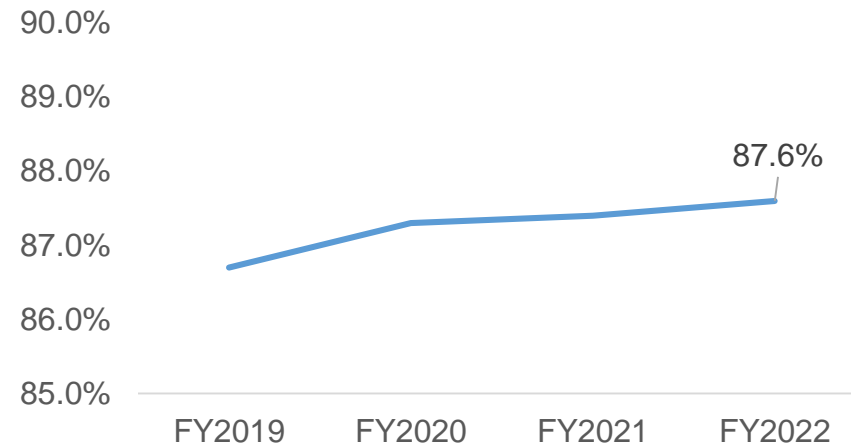
Property information (Repairs required, etc.)

Specialists

Referring to tax accountants, attorneys, and other specialists

Sharing information discovered during occupancy rate surveys (Property damage/defacement/etc.)

### Overview and results trend for occupancy rate survey



#### Survey content:

- Covers customer properties with a single building income loan balance of 50 million yen or more (Approx. 8,500 properties, 90% of total outstanding balance)
- Fundamental procedure is for our staff to visit the subject property to check not only occupancy status, but also for any property damages and management status
- For any discovery of property damage, abnormality in property management, etc., information is shared with customers and we consult with them on how to respond





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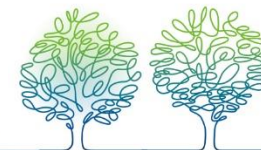
### Priority Measure 5: Vector Alignment with Stakeholders

- (1) Vectors with Shareholders
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- (3) Vectors with Society



# Promoting DX in Phase 2

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## Strengthening digital channels

Non-face-to-face

- ✓ Providing optimal products/services for each customer
- ✓ Improving value and convenience provided to customers and offering new customer experiences
- ✓ Providing diverse communication methods and customer touchpoints

### Expanding services for the Connect smartphone application

Behavioral analysis and product proposals / digital passbook / various notification services / chat function



### Expanding web-based applications

Opening accounts / loan applications / strengthening security / improving convenience



### Providing diverse communication methods

Providing AI chatbots/diverse communication methods



## Reforming branch operations and streamlining operations

Face-to-face

- ✓ Reducing branch operational load through shifting operations to digital and headquarters collaboration
- ✓ Accelerating branch operation streamlining and headquarters concentration to achieve next-generation branches

### Expanding SMA-Navi

All processes completed via tablet / no manual required / no administrative work required



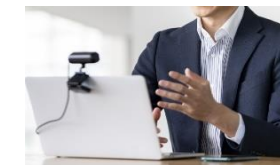
### Shifting branches to digital/reducing operations

Paperless, cashless, seal-less / device optimization



### Strengthening sales office/headquarters cooperation

Centralizing counter operations at headquarters (Sales Office Support Center) / implementing RPA and teleconferencing



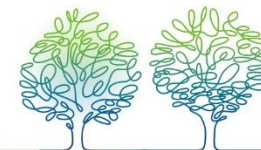
Mutual cooperation/integration

## Integrating internal/external digital data and innovating operations

- Utilizing highly fresh data to support decision-making
- Utilizing various internal/external information to support business innovation through DX
- Cloud computing and big data analysis in data analysis infrastructure

## Upgrading data analysis infrastructure

- Significantly expanding and integrating data collection and analysis areas (all internal digital data)
- Enabling cross-sectional big data analysis of internal and external digital data
- Using AI and machine learning to analyze unstructured data, e.g. audio/images



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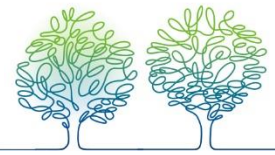
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# Priority Measure 5: Vector Alignment with Stakeholders

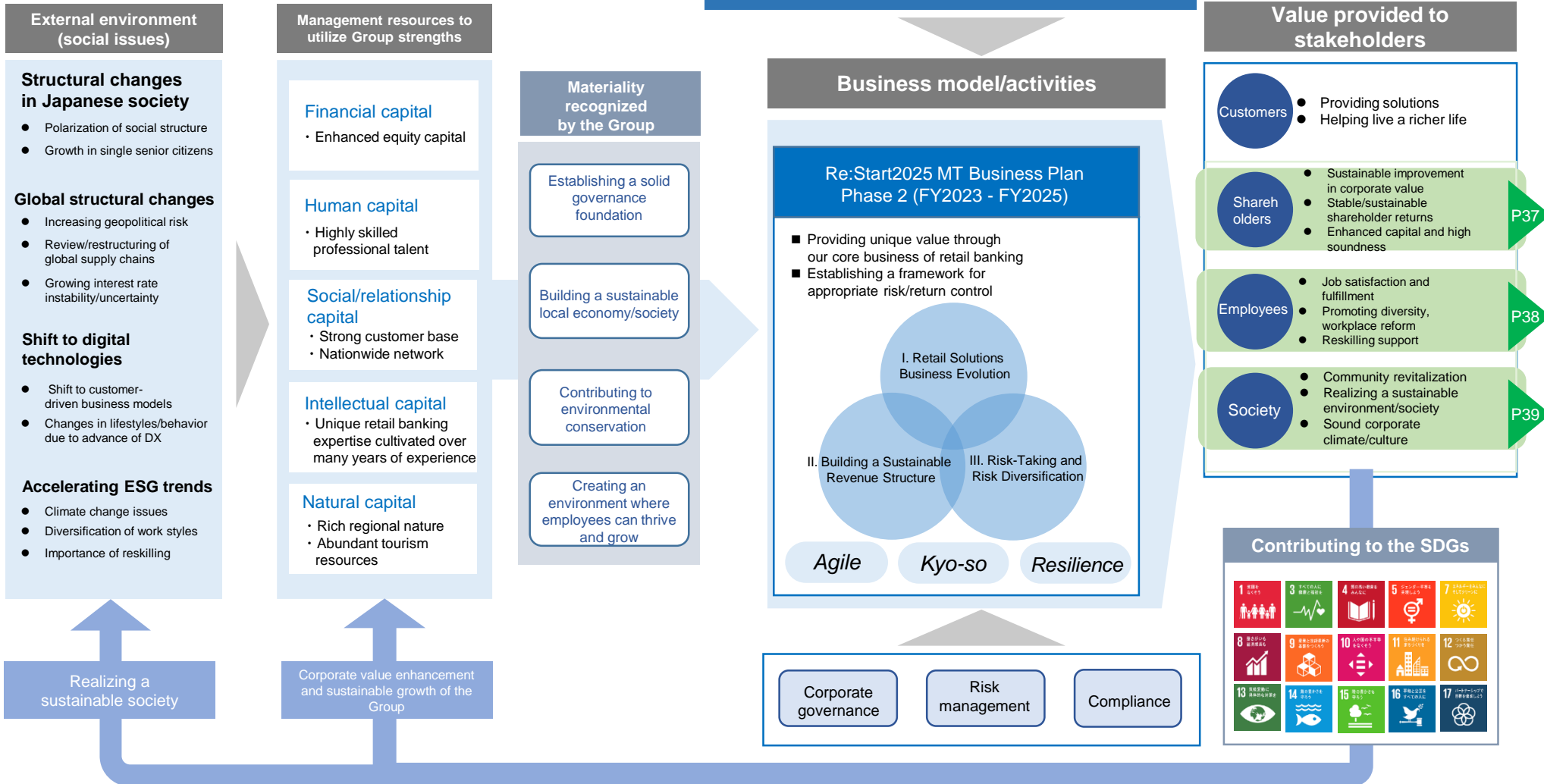
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Creating value for stakeholders by providing services addressing issues faced by customers and communities

## Corporate Philosophy

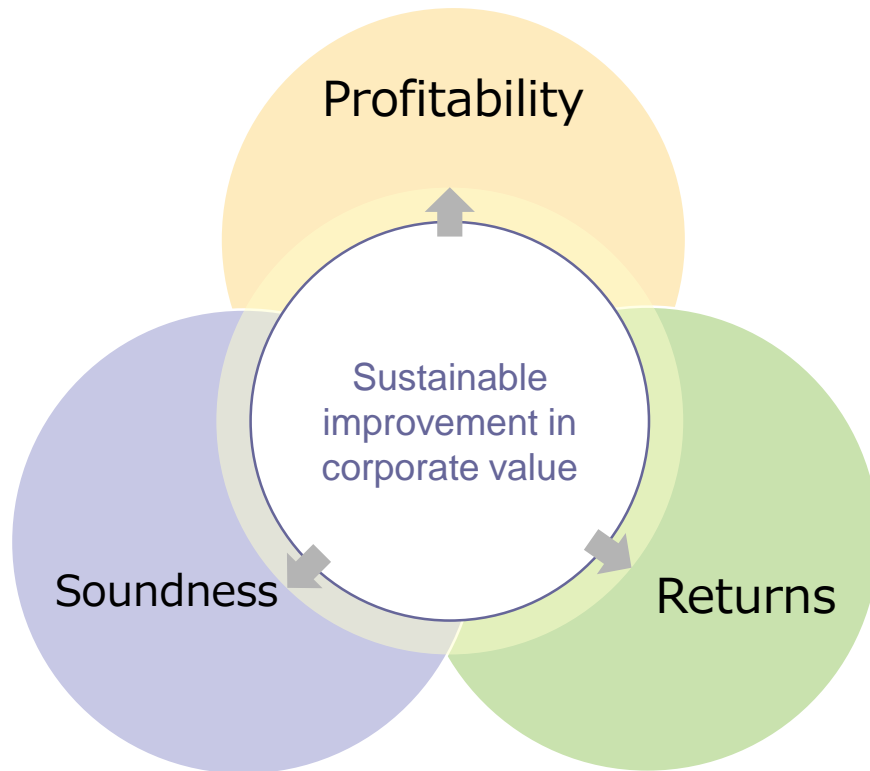
"I'm glad you're here...I'm glad we met..." This perception is our goal.



# Priority Measure 5: (1) Vectors with Shareholders



Sustainable improvement in corporate value  
contributing to shareholder value



## Profitability

- Doing business in line with Phase 2 management strategies
- Proactively considering strategic alliances, etc. contributing to enhanced corporate value

## Soundness

- Capital adequacy ratio: 10%\*+ (effective)
- Accumulate profits to secure enough equity capital for risk-taking

## Returns

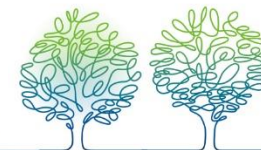
Returning profits to stakeholders, taking into consideration the Group's corporate philosophy and long-term vision

- **Basic policy on shareholder return**  
Strive to enhance shareholder returns in consideration of the optimal balance between capital soundness and growth investment
- **Dividends**  
Basic policy to pay stable dividends with a payout ratio of approx. 30%
- **Purchase of treasury shares**  
Flexible purchase as a shareholder return measure contributing to capital efficiency, taking into account business performance, capital conditions, opportunities for growth investment, and market conditions (including stock prices)
- **Promotion of ESG/SDGs**

\* Based on finalized Basel III. In capital adequacy ratio, any unrealized loss on securities is deducted from core capital.

# Priority Measure 5: (2) Vectors with Employees

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Organizing management issues from the perspective of human capital and rolling out measures contributing to sustainable corporate value enhancement

## KPIs

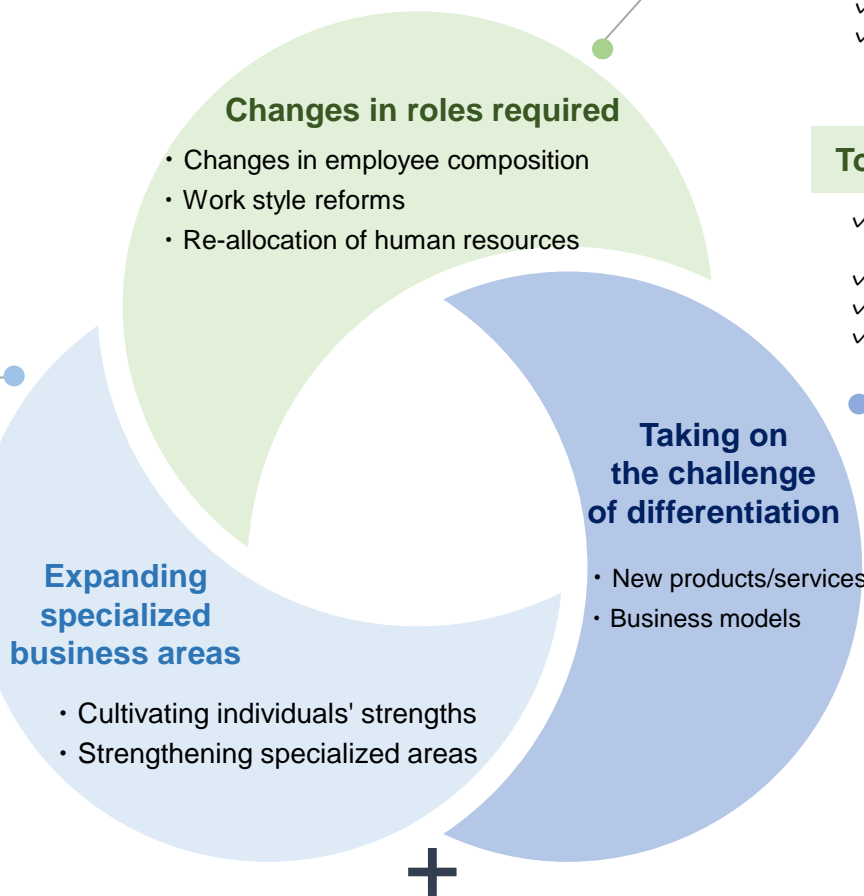
Item	Target
Investing in new talent cultivation (3-year total)	100+ million yen
Percent of female managers	30%+
Childcare leave utilization rate (annual)	100% (men and women)
Overall satisfaction in employee motivation survey	60%+

### Strategic issues for human capital

- ✓ Cultivating employees with expertise
- ✓ Mid-career hiring of experienced and professional talent

### Toward problem-solving

- ✓ Career support encouraging talent development in specialized fields
- ✓ Remuneration incorporating the talent market



### Strategic issues for human capital

- ✓ Total empowerment of all employees
- ✓ Large-scale reassignment (reskilling)
- ✓ Cultivating management talent (external dispatch, diversity promotion)

### Toward problem-solving

- ✓ Raising motivation/awareness of all employees and expanding their circle of activity
- ✓ Diversifying work styles and options
- ✓ Providing options to support reskilling
- ✓ Visualization/pitching appeal of career paths

### Strategic issues for human capital

- ✓ Motivating employees to think
- ✓ Reaffirming/communicating our strengths

### Toward problem-solving

- ✓ Providing a forum to expand scope of thought/discussion
- ✓ Rewards for enhancing corporate value
- ✓ Rewards for taking on challenges

### Introducing a share remuneration plan for executives

- In addition to the current share remuneration plan for officers, introducing a share remuneration plan for executives from the perspective of human capital investment
- Increasing engagement of executives and aligning with shareholder vectors to enhance corporate value over the long term

# Priority Measure 5: (3) Vectors with Society: Governance Framework



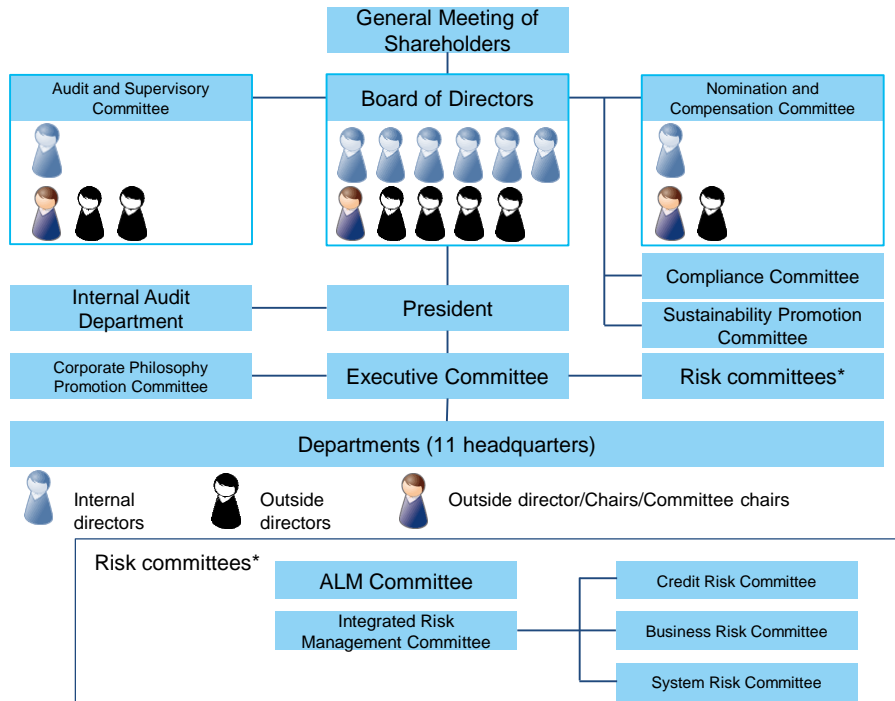
- We have targeted the Prime Market so as to provide a higher level of governance. We are committed to sustainable growth and medium- to long-term enhancement of corporate value by optimizing the risk/return balance through both our mid-term business plan and RAF.
- In light of the fact that the Company is under a business improvement order, we will further enhance corporate governance by increasing the transparency and objectivity of management and by strengthening the monitoring system.

\*This is based on the management structure to be proposed at the 212th Annual General Meeting of Shareholders.

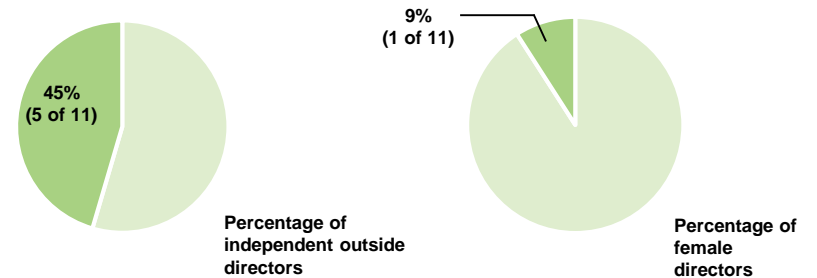
## ■ Fundamental approach to corporate governance

In our corporate philosophy, the perception of "I'm glad you're here..." "I'm glad we met..." is our goal. In order to achieve this, we have established and put into practice a Compliance Charter as a standard of conduct for our officers and employees. By putting it into practice, we aim to achieve a healthy organizational climate and corporate culture while also ensuring thorough compliance and customer-oriented business operations.

## ■ Corporate governance structure



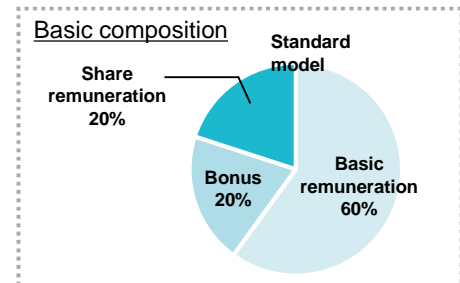
## ■ Composition of the Board of Directors



## ■ Director compensation structure

### ✓ Introduced an ex-post delivery share remuneration plan

In 2020, the Company introduced an ex-post delivery share remuneration plan for directors (excluding outside directors and Audit & Supervisory Committee members) to link director remuneration more clearly to the Company's performance and share value and to raise their awareness of the need to contribute to improving the Company's performance and corporate value over the medium- to long-term.



In addition, to prevent excessive risk-taking and appropriately supervise directors, compensation for outside directors and Audit and Supervisory Committee members is not linked to business performance, but consists only of basic remuneration.

### Forfeiture of share remuneration (Clawback/malus clauses)

The Company has established clauses (clawback and malus clauses) in its share issuance rules stipulating total or partial forfeiture of share-based remuneration in order to curb excessive risk-taking, ensure sound management, and prevent serious misconduct such as accounting irregularities as well as large-scale correction of past fiscal year financial results.

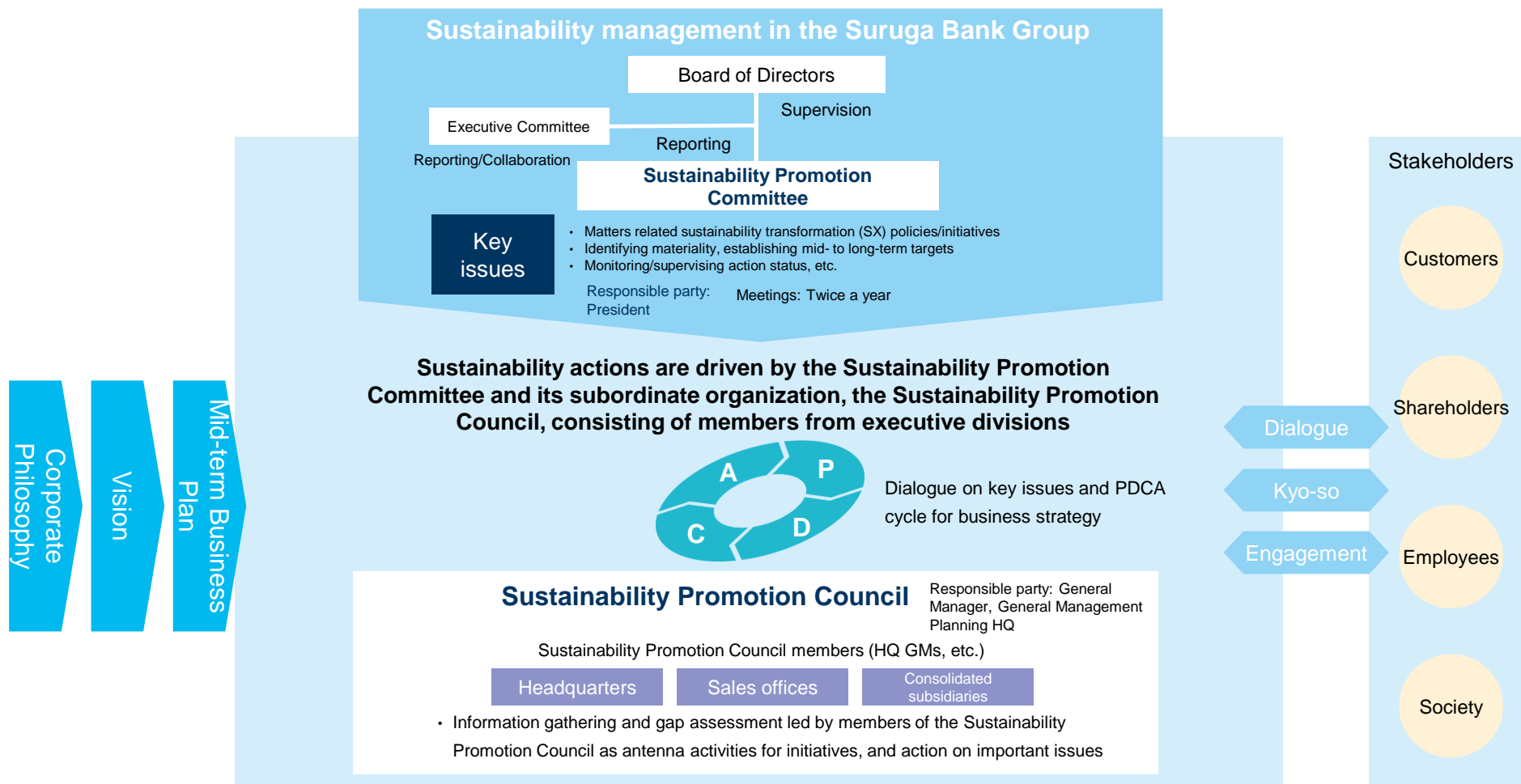


# Priority Measure 5: (3) Vectors with Society

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We aim to achieve sustainable, long-term value creation by ensuring customer-oriented business operations and providing the Suruga Bank Group's unique value through the promotion of its retail solutions business, as a means of realizing the Bank's corporate philosophy.



\*Toward the launch of Phase 2, the Board of Directors resolved to establish the Sustainability Promotion Committee on March 17, 2023, which will begin operation on April 1, 2023.

# SURUGA bank

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The foregoing material contains statements regarding future business performance. These statements are not intended as guarantees of any specific future performance, which is subject to a variety of risks and uncertainties. Actual future business results may differ from the targets contained in the present material, due to unpredictable changes in the external business environment.